



## DECEMBER 2020 QUARTERLY ACTIVITIES REPORT & APPENDIX 5B\*

### Significant Events for the Quarter:

- Karoon completed the acquisition from Petrobras S.A. of Concession BM-S-40, in the offshore Santos Basin of Brazil, incorporating the producing Baúna Field and nearby Patola discovery, on 6 November 2020.
- Karoon commenced as Operator of the concession on completion.
- The Baúna acquisition transforms Karoon into one of the largest oil producers on the ASX.
- Operational uptime in respect of the FPSO Cidade de Itajaí, exceeded expectations and was well above industry benchmarks.
- Between 7 November and 31 December 2020, Karoon produced 816 kbbls of oil from the Baúna Field, at an average rate of 14.8 kbopd.
- Karoon lifted its first oil cargo of 503.1 kbbls on 9 December 2020 at a net realised price of US\$47.31, with payment of US\$23.8 million received during January 2021. The lifting was undertaken without any safety or environmental incidents.
- Dr Julian Fowles commenced as Chief Executive Officer and Managing Director on 27 November 2020.
- Mr Peter Botten commenced as a Non-Executive Director on 1 October 2020.
- The founding Chief Executive Officer and Managing Director, Mr Robert Hosking and long serving Non-Executive Directors, Mr Geoff Atkins and Mr Jose Coutinho Barbosa retired on 27 November 2020.
- Cash and cash equivalents as at 31 December 2020 was A\$133 million, with no external loans.

### Comments from Chief Executive Officer and Managing Director Dr Julian Fowles:

“The closure of the Baúna acquisition, and sale of our first cargo of crude oil, are important milestones for Karoon, marking our transition from explorer to a substantial oil producer. Moreover, we have executed this transaction against the challenging backdrop of a global pandemic and mid-2020 oil price collapse.

The high operational uptime achieved in the Baúna field reflects the quality of the asset itself and the dedication of our staff and the FPSO operator, Altera&Ocyan. It has been pleasing to see the first export of Baúna crude oil received very positively by the market, with the crude’s excellent qualities attracting strong competition from a number of global refiners. Given this strong operational performance, and our existing cash and no external loans, we are very well placed to grow organically, and pursue additional asset transactions.

I am excited to be leading Karoon at this transformational time. I am grateful for the efforts of everyone involved in making the Baúna transaction a reality, and I look forward to progressing the opportunities that lie ahead for Karoon Energy.”

\* Whilst Karoon is transforming into an oil producing entity, it remains an “oil and gas exploration entity” for the purposes of the ASX Listing Rules and, as such, will continue to report as one until it becomes an “oil and gas producing entity” (for the purposes of the ASX Listing Rules).

## Corporate and Commercial Summary



During the quarter Karoon underwent a meaningful shift in its corporate and operational organisation. After the retirement of its long-standing founder Mr Robert Hosking, the Board of Directors appointed a new Chief Executive Officer and Managing Director, Dr Julian Fowles. Further to this, the Board of Directors appointed Mr Peter Botten as an Independent Non-Executive Director, while long standing Non-Executive Directors Mr Geoff Atkins and Mr Jose Coutinho Barbosa retired.

Karoon, via its wholly owned subsidiary, KPG, completed the acquisition of Concession BM-S-40 including the Baúna oil field and Patola discovery. Pursuant to the sale and purchase agreement, KPG is obliged to pay in aggregate US\$380 million of 'firm' consideration and up to US\$285 million of 'contingent' consideration. In addition to the US\$49.9 million deposit paid at signing, KPG paid US\$150 million of the 'firm' consideration at closing. The balance of the 'firm' consideration is reduced by the asset cash flows generated between the effective date and financial close which are retained by Petrobras, with the remaining 'firm' consideration of approximately US\$44 million (including interest) payable during May 2022.

During December 2020, Karoon exported its first oil cargo from Baúna. The oil sales revenue of A\$32.7 million from this cargo was received during January 2021 and therefore is not reflected as a cash inflow during the quarter as disclosed in the attached Appendix 5B.

Significant cash outflows during the quarter included the following payments:

- A\$206.5 million (US\$150 million) paid at closing for the Baúna assets;
- A\$11.6 million in one off payments of associated completion and operational readiness costs relating to Baúna;
- A\$4.8 million of Baúna production costs for operations from 7 November to 31 December 2020. In addition, an FPSO charter payment of A\$4.6 million was made and is included in lease payments and finance costs in the Appendix 5B;
- A\$4.1 million relating to Australian income tax payable on foreign exchange gains for the 30 June 2020 tax year; and
- A\$14.2 million of exploration and evaluation costs predominantly relating to the final payment of drilling creditors for the Marina 1 exploration well, which was completed during the March 2020 quarter.

Karoon retains a cash balance of A\$133 million to continue its investment plans in the Baúna asset and grow production.

Karoon currently anticipates releasing its half year results in the final week of February 2021.

## Operations Summary

### Brazil

Santos Basin, Baúna Field BM-S-40

100% Equity interest

Operator

### Key Baúna Operational Measures

Key Summary Data	Units	December Quarter <sup>^</sup>	FY21 <sup>^</sup>
<b>Production - rate</b>	kbopd	14.8	14.8
<b>Production - volume</b>	kbbbls	816	816
<b>Sales Volume</b>	kbbbls	503	503
<b>Realised Price</b>	US\$/bbl	47.31	47.31
<b>Sales Revenue</b>	A\$'million	32.9 <sup>^^</sup>	32.9
<b>Safety</b>			
<b>Lost Time Injuries</b>	Incidence/200,000 hours	0.38	0.38

<sup>^</sup> Reflects operations from 7 November to 31 December 2020.

<sup>^^</sup> Sales revenue was received during January 2021 and therefore is not reflected as a cash inflow for the period in the Appendix 5B enclosed.

The Baúna acquisition transforms Karoon into one of the largest oil producers on the ASX. Karoon had production during the quarter of nearly 15 kbopd and has plans to significantly increase this through low-risk optimisation of the existing production wells and brownfield development of the Patola discovery. Baúna ownership also brings potential operational synergies and improved economics to Karoon's other Santos basin assets.

During November 2020, Karoon sold its first oil cargo from Baúna. The oil sales volume from this lifting during December, was 503.1 kbbbls at a net realised price of US\$47.31/bbl resulting in gross sales revenue of A\$32.7 million. Karoon held 342.6 kbbbls in inventory at the end of the quarter. Subsequent to the quarter, a second cargo of approximately 505 kbbbls was offloaded from the FPSO Cidade de Itajaí. Revenues for the first two cargoes will be received during the March quarter of 2021.

The operational uptime in respect of the FPSO Cidade de Itajaí during the quarter is ahead of expectations and in excess of normal industry benchmarks. Karoon notes that oil production during February 2021 is due to be impacted by a scheduled annual maintenance outage on the FPSO Cidade de Itajaí, planned for 8 days. The ongoing COVID-19 pandemic did not have a material impact on production operations during the December quarter and did not cause any lost operational time.

During the December quarter, Karoon progressed its plans for a rig-based work-over campaign to increase production rates from four existing Baúna production wells through two pump replacements, installing gas lift in a further production well and re-opening an oil zone in a fourth.

Tendering of the work to be carried out for the well interventions, the Patola field development and the potential drilling of a control well on the Neon discovery is progressing. Plans for the Patola field development are being advanced with a Final Investment Decision expected to be made in the second quarter of calendar 2021. In relation to this, during January 2021, a letter of intent was signed with TechnipFMC related to certain long lead items required for the potential development of the Patola field. Any development of the Patola field and the drilling of a control well on the Neon discovery would seek to utilise the same rig as the Baúna intervention campaign and commence immediately following it.

As set out in the announcement entitled "Baúna Oil Reserves and Contingent Resource Update", dated 28 January 2021, Baúna has 36.4 MMbbl of 2P reserves (reflecting that there has been no reduction in reserves, when compared to those announced to ASX on 9 November 2020, other than commensurate with oil production volumes during the period 1 July 2020 to 31 December 2020 reflecting asset performance that is in line with expectations) and c. 19 MMbbl of 2C contingent resources (each as at 31 December 2020). Karoon is not aware

of any new information or data that materially affects the resource estimates set out in the announcement dated 28 January 2021 and all material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

Quoted volumes reflect production between 7 November 2020 and 31 December 2020. Historical monthly production data relating to Karoon and production from Baúna (including for November and December 2020) can be found in monthly newsletters produced (in Portuguese) by the **Agência Nacional do Petróleo, Gás Natural e Biocombustíveis** (ANP: the Brazilian oil and gas regulator) and via the ANP's dynamic panel of oil and gas production, both of which can be accessed via the ANP's website at <http://www.anp.gov.br>.

***Santos Basin, Blocks S-M-1037, S-M-1101***

***100% Equity Interest***

***Operator***

Karoon continued its technical assessment and planning associated with work commitments in these Blocks.

***Santos Basin, Block S-M-1537***

***100% Equity Interest***

***Operator***

Low cost geological and geophysical studies were ongoing during the quarter.

The Block contains one main prospect, Clorita, with the reservoir expected to comprise Oligocene turbidite sands with high porosity and permeability as seen in the nearby producing Baúna and Piracaba fields.

**Peru**

***Tumbes Basin, Block Z-38***

***40% Equity Interest<sup>1</sup>***

***Operator***

Karoon was notified by Perupetro that the Third Period work program obligations have now been completed, leaving no further obligations remaining in the current exploration period. Karoon is still assessing the remaining prospectivity of the Block prior to making a decision on whether to enter the Fourth and final exploration period, or to relinquish the Block. The decision is required by June 2021. There would need to be commercial encouragement from the assessment for Karoon to allocate further capital to Peru, particularly given the competing investment opportunities in Karoon's asset portfolio. Commensurate with the reduced level of activity in the Block, expenditure is being kept to a minimum.

Karoon received notice from joint venture partner Tullow during the quarter of their intention to withdraw from the Block. In order to fulfil its obligations as a prudent operator, Karoon has agreed to reacquire, for nil consideration, Tullow's 35% participating interest and is in the process of finalising documentation associated with this.

During the quarter the total cash flows for exploration and evaluation included approximately A\$12.9 million of payments to drilling creditors relating to the Marina 1 exploration well, which was completed during the March 2020 quarter.

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<sup>1</sup> Karoon's 40% equity interest remains subject to completion of farm-in obligations

***Tumbes Basin, Area 73***  
***Technical Evaluation Agreement***  
***Operator***

The geoscience studies required for the Technical Evaluation Agreement on Area 73 are nearing completion with a decision on whether to negotiate a licence contract required prior to early July 2021.

As referred to above, there would need to be commercial encouragement from the studies referred to above for Karoon to allocate further capital to Peru.

**Australia**

***Northern Carnarvon Basin, Permit WA-482-P***  
***50% Equity Interest***  
***Non-Operator***

Seismic reprocessing of the existing database of 3D seismic was completed during the quarter and interpretation has commenced.

***Ceduna Sub-basin, Great Australian Bight, Permit EPP46***  
***100% Equity Interest***  
***Operator***

Karoon has submitted a formal application to surrender the permit to the regulatory authorities and was advised on 15 December 2020 that the application was not approved. Karoon continues to work with authorities to understand the reasons behind the refusal to approve the surrender application.

**Glossary**

<b>Term</b>	<b>Definition</b>
A\$	Australian dollars
bbl	barrel
contingent resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.  1C- Denotes low estimate scenario of contingent resources. 2C- Denotes best estimate scenario of contingent resources. 3C- Denotes high estimate scenario of contingent resources.
Karoon	Karoon Energy Ltd and its subsidiaries
kbbbls	thousand barrels of oil
kbopd	thousand barrels of oil per day
KPG	Karoon Petróleo & Gas Ltda.
MMbbl	million barrels of oil
reserves	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied.

1P- Denotes low estimate of reserves (ie proved reserves).

2P- Denotes best estimate of reserves (ie the sum of proved plus probable reserves).

3P- Denotes high estimate of reserves (ie the sum of proved, probable and possible Reserves).

US\$

United States dollars

### **Forward-looking statements**

This announcement may contain certain “forward-looking statements” with respect to the financial condition, results of operations and business of Karoon and certain plans and objectives of the management of Karoon. Forward-looking statements can generally be identified by words such as ‘may’, ‘could’, ‘believes’, ‘plan’, ‘will’, ‘likely’, ‘estimates’, ‘targets’, ‘expects’, or ‘intends’ and other similar words that involve risks and uncertainties, which may include, but are not limited to, the outcome and effects of the subject matter of this announcement. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

You are cautioned not to place undue reliance on forward-looking statements as actual outcomes may differ materially from forward-looking statements. Any forward-looking statements, opinions and estimates provided in this announcement necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, many of which are outside the control of Karoon. Such statements may cause the actual results or performance of Karoon to be materially different from any future results or performance expressed or implied by such forward-looking statements. Forward-looking statements including, without limitation, guidance on future plans, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward-looking statements speak only as of the date of this announcement.

Karoon disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise.

### **Conference call**

Karoon Chief Executive Officer and Managing Director, Dr Julian Fowles, will hold a conference call to discuss the quarterly results on Thursday, 28 January 2021 at 11am (Melbourne time). The conference call will be streamed live and can be accessed via the following link:

<https://webcast.boardroom.media/karoon-energy-ltd/20210127/NaN600e5056aa867c0019aad05e>



## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

**Name of entity**

Karoon Energy Ltd

**ABN**

53 107 001 338

**Quarter ended ("current quarter")**

31 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	1
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(13,958)	(15,554)
	(b) development	-	-
	(c) production	(4,752)	(4,752)
	(d) staff costs (employee benefits expense-net)	(2,068)	(3,383)
	(e) administration and corporate costs	(1,538)	(3,121)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	99	225
1.5	Interest and other costs of finance paid	(2,889)	(5,657)
1.6	Income taxes paid	(4,119)	(4,278)
1.7	Government grants and tax incentives	-	-
1.8	Other (Baúna transition costs \$11.6m, GST refunds & net VAT payments \$2.4m)	(14,069)	(21,317)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(43,294)</b>	<b>(57,837)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements (Concession BM-S-40)	(206,555)	(206,555)
	(c) property, plant and equipment	(744)	(2,534)
	(d) exploration & evaluation (if capitalised)	(277)	(367)
	(e) investments	-	-
	(f) other non-current assets (security deposits)	4,980	4,840
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	12	12
	(d) investments	-	-
	(e) other non-current assets (security deposits)	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(202,584)</b>	<b>(204,604)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (principal elements of lease payments)	(2,701)	(2,777)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(2,701)</b>	<b>(2,777)</b>



<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1	Cash and cash equivalents at beginning of period	399,545	431,903
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(43,294)	(57,837)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(202,584)	(204,604)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,701)	(2,777)
4.5	Effect of movement in exchange rates on cash held	(18,051)	(33,770)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>132,915</b>	<b>132,915</b>

<b>5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</b>		<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	85,740	364,293
5.2	Call deposits	47,175	35,252
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>132,915</b>	<b>399,545</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

843

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Directors' remuneration (including payments to the current CEO and Managing Director and former Managing Director) included in 1.2: \$784,084.  
Consulting fees included in 1.2: \$59,137.

7.	<b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	(43,294)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(277)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(43,571)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	132,915
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	132,915
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>3.05</b>

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 January 2021

Authorised by: The Board  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## **Appendix 1**

### **Schedule of Interests in Petroleum Tenements**

#### **Held by Karoon Energy Ltd Group**

**As at 31 December 2020**

<b><u>Exploration Permit/ Block</u></b>	<b><u>Basin</u></b>	<b><u>Operator</u></b>	<b><u>% Equity Interest Held</u></b>
EPP46	Ceduna Sub-basin, Australia	Karoon	100
WA-482-P	Northern Carnarvon, Australia	Santos	50 (1)
Concession BM-S-40	Santos, Brazil	Karoon	100
Block S-M-1037	Santos, Brazil	Karoon	100
Block S-M-1101	Santos, Brazil	Karoon	100
Block S-M-1537	Santos, Brazil	Karoon	100
Block Z-38	Tumbes, Peru	Karoon	40 (2)

- (1) Liberty Petroleum Corporation is entitled to certain milestone cash bonuses and an over-riding royalty in the event of production. Phoenix Oil and Gas Limited is entitled to an over-riding royalty in the event of production.
- (2) The Group's farm-in obligations to Pitkin Petroleum Peru Z-38 SRL are still to be completed.